[6th September 1960

The seats reserved for Backward Classes and the unreserved seats (those open to all classes) in the Government as well as the private Engineering Colleges are filled on a districtwise basis, the seats being apportioned among the districts on the basis of their population according to the 1951 census. For this purpose, the population of the districts are rounded off to the nearest ten thousand. The seats reserved for Scheduled Castes and Scheduled Tribes are to be filled by taking the entire State as a single unit. The 61 seats reserved for Scheduled Castes and Tribes but not utilized by them were allotted to the general pool. One third were allotted to Madras City and the rest divided among the other districts according to the population ratio.

APPENDIX IV.

[Vide item III (1) on page 153 supra.]

REPORT OF THE JOINT SELECT COMMITTEE ON THE MADRAS CHIT FUNDS BILL, 1960 (L.A. BILL No. 5 OF 1960).

To

THE HON. THE LEGISLATIVE ASSEMBLY,
MADRAS.

The Joint Select Committee appointed to consider the Madras Chit Funds Bill, 1960 (L.A. Bill No. 5 of 1960) has the honour to make the following report.

2. The Bill was published in English in Part IV-A of the *Fort St. George Gazette* Extraordinary, dated 6th April 1960, and in Tamil in the *Fort St. George Gazette*, dated 27th April 1960.

3. The Joint Select Committee was appointed by a resolution of the Assembly, dated 25th April 1960, and of the Council, dated 27th April 1960.

4. The Joint Select Committee met in the Committee Room, Legislators' Hostel (Old), Government Estate, Mount Road, Madras, on the 1st and 29th to 31st July 1960, and 8th August 1960 and in the Lounge Room on the 18th and 23rd August 1960.

5. At its first meeting on the 1st July 1960, the Committee decided to take oral evidence from persons interested in the Bill and in this connection proposed to visit certain places during the latter half of July 1960; but the proposed tour could not be undertaken. Oral evidence was therefore recorded in Madras at the meetings of the Committee held on the 29th and 30th July 1960. Certain Chit Funds organizations as well as some institutions connected with Chit Funds gave evidence on these days.

6th September 1960]

6. The Committee subjected the Bill to thorough scrutiny and as a result has made many changes in the Bill and the important changes are noted below :—

Clause 1.—Clause 1 provided that the Act should come into force on such date as the Government may by notification appoint. The Committee decided that different dates may be appointed for different areas and for different provisions of the Act. The clause has been amended accordingly.

Clause 2.—In the definition of " Chit " it was provided that each subscriber in his turn shall be entitled to a prize as determined by lot or by auction or in such other manner as may be provided for in the agreement. The Committee decided that the prize may be determined by tender also and specific mention of it should be made in the definition itself. The definition has been amended accordingly.

The Committee felt that the Explanations which illustrated cases which were not chits should be made more specific by excluding transactions which the mercantile people had been doing to help themselves and an illustration added. Explanations have been amended and combined accordingly and an illustration also has been added.

There was a definition of special resolution. The Committee decided that there was no need for a general body meeting and therefore there will not be any special resolution. The definition has been deleted.

Clause 3.—The clause provided that a person who wants to start or conduct a chit has to obtain the sanction of the Officer and also register the chit agreement. The Committee decided that the previous sanction of the Officer was not necessary and it would be sufficient if the foreman, on the model of co-operative societies registered the by-laws. Regular business could be transacted only after filing the chit agreement and obtaining the certificate of commencement. The clause has been amended accordingly.

Clause 4.—The clause provided that the public should not be invited to subscribe for a chit before the previous sanction of the Officer. In view of the amendment to clause 3, the Committee decided that subscriptions could be invited only after registration. The clause has been amended accordingly.

Clause 5.—The clause provided that the chit agreement should be signed by all subscribers. The Committee felt that it may not be practicable to get the agreement signed by all the subscribers and that therefore it would be sufficient to get the signatures of each subscriber on separate copies of the agreement. The clause has been amended accordingly.

Clause 6.—The clause provided for the registration of chit agreement. In view of its earlier decision that no previous sanction was necessary before registration, the Committee decided to amend this clause accordingly. The clause has been amended accordingly.

[6th September 1960

Clause 7.—The Committee decided that a person can commence chit business only after he obtains a certificate of commencement from the Registrar. New clause 7 gives effect to this decision.

Clause 8.—Clause 7 of the Bill provided that the foreman should give copies of chit agreement to subscribers within fourteen days. The Committee decided that on getting a certificate of commencement, the foreman must give every subscriber a copy of the by-laws and chit agreement. The clause gives effect to this decision and the clause has been renumbered as clause 8.

Clause 9.—Clause 8 of the Bill provided in what manner the chit agreement could be altered. The Committee felt that there was no need to alter the agreement unless every subscriber agreed to alter. The clause has been amended accordingly and renumbered as clause 9.

Clause 11.—Clause 10 of the Bill provided that the foreman should file copies of minutes of proceedings of every drawing with the Registrar within fourteen days. The Committee decided that the copy of the minutes should be filed within the fifteenth day of the month succeeding the month in which there was drawing. The clause has been amended accordingly and renumbered as clause 11.

Clause 12.—Clause 11 of the Bill dealt with the security to be furnished by the foreman. The Committee decided that the foreman might furnish by way of security property sufficient for the realisation of the chit amount, deposit in any approved bank an amount of cash not less than half of the chit amount or invest in Government securities of not less than half of the chit amount. The clause has been amended accordingly and renumbered as clause 12.

Clause 16.—Clause 15 of the Bill provided that the foreman should file with the Registrar a balance-sheet duly audited by a Chit Auditor. The Committee decided that the balance-sheet may be audited by a Chartered Accountant also. The clause has been amended accordingly and renumbered as clause 16.

Clauses 20 *and* 21.—Clause 19 of the Bill dealt with defaulting subscribers and also substitution of new subscribers. The Committee decided that separate provision should be made for defaulting subscribers and for substitution and that in the case of defaulters they should be given the right of appeal. Provision has been made accordingly in clauses 20 and 21.

Clause 25.—Clause 24 of the Bill dealt with future subscriptions of prized subscribers. The Committee gathered from witnesses that promissory notes were taken from prized subscribers as security for future subscriptions and that no mention was made in such promissory notes that they were towards the security for the future subscriptions. It decided that promissory note could not be enforced unless there was specific mention to that effect. The clause has been amended accordingly and renumbered as clause 25.

Clause 29 *of the original Bill.*—This clause provided the procedure for holding meetings of the general body. The Committee had earlier decided that it was impracticable to hold general body meetings and therefore recommended that the clause be deleted. The clause has accordingly been deleted.

Clause 30.—The clause provided for continuation of chits in certain cases. As the Committee had decided to do away with general body meetings it recommended that consequential changes be made in this clause. In case of the death of the foreman or of his becoming of unsound mind, where he is an individual, the Committee felt that further action in the matter of running the chit might be taken in accordance with the terms of the chit agreement. The clause has been amended accordingly.

Clause 35.—The clause provided that the foreman should allow the subscribers to examine chit records. The Committee felt that the foreman might be allowed to prescribe a fee of not more than Rs. 5 for inspection of records as may be specified in the chit agreement. The clause has been amended accordingly.

Clause 37.—The clause provided that a foreman should produce chit books and records for inspection by the Registrar or any Officer authorised by the Director of chits in this behalf at the places mentioned in the notice. The Committee decided that the foreman can if he so desires have the inspection made at his place of business on payment of the prescribed fee. The clause has been amended accordingly.

Clause 54.—The clause provided for appeals against the order of the Registrar. The Committee decided that a foreman should be enabled to appeal in case the Registrar refused to register the by-laws of a chit or to grant a certificate of commencement. The clause has been amended accordingly.

Clause 57.—The clause provided that a Presidency Magistrate or a Magistrate of the First-class shall try offences under the Act. The Committee decided that a salaried Presidency Magistrate or a salaried Second-class Magistrate should try offences instead. The clause has been amended accordingly.

Clause 59.—The clause provided for the compounding of offences. The Committee decided that on the payment of the compensation no further proceedings should be taken against the accused person and that he should be acquitted. The clause has been amended accordingly.

Clause 66.—The clause indicated the chits to which this Act should not apply. The committee decided that the Act should not apply to chits the aggregate amount of which did not exceed one hundred rupees. The clause has been amended accordingly.

Clause 67.—There was no provision for exempting any chit or class of chits or any person or class of persons. Necessary provision has been made in this clause.

Clause 68.—This clause provides for the amendment of the schedule to the Indian Stamp Act by prescribing one rupee for chit agreement.

Clause 70.—The Committee decided that there should be specific provision for removing difficulties. The clause gives effect to this.

All consequential changes have been made and the clauses have been renumbered wherever necessary.

A copy of the Bill as amended and approved by the Joint Select Committee is appended.

The Committee considers that the changes made by it are not of such important character as to require the republication of the Bill.

FORT ST. GEORGE, MADRAS, R. VENKATARAMAN,
31st August 1960. *Chairman.*